



Department of Justice

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TWO FORMER PURCHASING AGENTS AT WARNER-LAMBERT ARE CHARGED IN CONNECTION WITH KICKBACK SCHEME

WASHINGTON, D.C. -- Two former purchasing agents at Warner-Lambert Co. of Morris Plains, New Jersey have been charged with crimes resulting from a scheme to take kickbacks from a company that supplied advertising display materials to their former employer, said the Department of Justice.

Today, the Justice Department filed charges, in U.S. District Court in Manhattan, against Brian X. McCormack of Vernon, New Jersey. McCormack was charged with tax evasion and conspiring to commit mail fraud. The charges alleged that McCormack defrauded Warner-Lambert in connection with his receipt of kickbacks totalling approximately \$650,000. On April 24, the Justice Department charged Peter Zanone of Cresskill, New Jersey with one count of filing false tax returns in connection with his receipt of kickbacks totalling approximately \$45,000.

According to the charges, McCormack conspired with a Manhattan-based supplier of point-of-purchase display materials from 1989 until 1993, to award that supplier at least \$20 million in contracts in exchange for receiving a percentage of that business. As a result, the supplier inflated the prices charged to Warner-Lambert by at least

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\$650,000, and in return paid McCormack cash payments that were as large as \$20,000 per month. McCormack failed to comply with Warner-Lambert's policy that required him to use competitive bidding as the means for selecting suppliers. In addition, McCormack is charged with evading federal income taxes owed on the \$650,000 in kickbacks.

Zanone, the former manager of promotional printing and displays at Warner-Lambert, acknowledged during his plea hearing that he failed to disclose his receipt of kickbacks totalling \$45,000 from the Manhattan-based supplier of displays on his federal income tax returns from 1989 to 1993.

Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division, said the cases stem from an investigation in the New York City area into collusive practices by suppliers of point-of-purchase display materials. Klein said the investigation, which is being conducted by the Antitrust Division's New York field office with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service, is continuing.

According to Klein, "Warner-Lambert was victimized by secret and corrupt arrangements between two of its employees and a supplier, and honest, competing suppliers, were prevented from selling to Warner-Lambert."

To date, 15 individuals and 8 corporations have pleaded guilty to various federal crimes as a result of the Department's ongoing antitrust investigation into bid rigging, commercial bribery, and tax-related offenses in the display industry. Earlier prosecutions have involved personnel at Philip Morris Inc. (NYC), Heublein Inc. (Farmington, CT), Hiram Walker & Sons Inc. (Southfield, MI), and Domecq Importers Inc. (Old Greenwich, CT).

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Point-of-purchase display materials include display stands, posters, banners, counter cards and sell sheets that are used for the advertising or promotion of consumer goods, primarily in retail stores.

Warner-Lambert Co. is a producer of both prescription and over-the-counter medicines and health and beauty products.

The maximum penalty for an individual convicted of participating in a conspiracy to commit mail fraud is five years in prison and a fine not to exceed the greatest of \$250,000, twice the gross pecuniary gain derived from the crime, or twice the loss to the victims.

The maximum penalty for an individual convicted of tax evasion is five years in prison and a fine not to exceed the greatest of \$250,000, twice the gross pecuniary gain derived from the crime, or twice the loss to the victim, together with the costs of prosecution.

The maximum penalty for an individual convicted of filing a false tax return is three years in prison and a fine not to exceed the greatest of \$250,000, twice the gross pecuniary gain derived from the crime, or twice the loss to the victim, together with the costs of prosecution.

Anyone with information concerning bid rigging, bribery, or fraud in the advertising and display materials industry should contact the New York Division of the FBI at (212) 384-1000.

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